

Proposed Methodology for Identifying and Capturing Savings

For discussion at the ITIB meeting on June 20, 2005

Outcome Desired

ITIB approval of the proposed detailed methodology for identifying and capturing benefits associated with VITA initiatives.

Overview

Based on the legislation regarding the Virginia Technology Infrastructure Fund¹, the CIO is to identify savings through a methodology approved by the IT Investment Board and the Secretary of Finance. In general, VITA identifies savings based on a comparison of costs before and after implementation of a new initiative. Initiatives resulting in savings may originate from negotiating lower vendor contracts for goods and services, consolidation of services, offering of new services or sharing of resources.

Previous Action

In April 2004, the Board approved a methodology to use identified savings to offset the 5.52% administrative fee charged to agencies under the approved direct bill approach. The Secretary of Finance also approved this methodology, but requested a more detailed methodology be developed to document benefits gained from VITA initiatives. Additionally, the APA, in its December 2004 audit, recommended, "...the CIO analyze current models to provide technology investment funding...while maximizing both State and Federal participation..." The APA also noted, "We recommend the CFO continue his efforts to develop a savings methodology and receive the Secretary of Finance and Planning and Budget's approval."

Current Efforts

A workgroup was organized in late 2004, including VITA, JLARC and APA representatives, to document the more detailed methodology requested by the Secretary of Finance. Key parts of that methodology include:

- Templates to uniformly document baseline costs in the as-is environment, projected costs in the proposed environment, and calculated changes between the two environments
- Templates to uniformly document current contract costs, revised contract costs and calculated changes in costs
- Definitions of key terms, including hard savings, budget decrements, cost avoidance and productivity gains
- Guidance on when and how to apply the templates and by whom
- Dollar thresholds for APA certification
- Requirement to prepare a post-implementation review after six months to document actual savings compared to projected savings, as applicable

Information Provided to Board Members

VITA has provided Board members with sample templates for a transformation initiative and a contract savings initiative. These templates show the detailed information that is collected and reported under the proposed methodology. A definition worksheet of key elements of the transformation initiative templates is also provided. The complete detailed package may be reviewed at:

<http://www.vita.virginia.gov/financeCouncil/documents/meetings/050504/savingsMethodology.doc>

Responsibility

VITA Financial Management Services is responsible for maintaining the methodology and its results and coordinating with Secretary of Finance offices and the Auditor of Public Accounts as required. Supporting detail is maintained by the VITA business owner of the specific initiative.

¹ § 2.2-2023. Virginia Technology Infrastructure Fund created; contributions.

A. The Virginia Technology Infrastructure Fund (the Fund) is created in the state treasury. The Fund is to be used to fund major information technology projects or to pay private partners as authorized in subsection B of § [2.2-2007](#).

B. The Fund shall consist of: (i) the transfer of general and nongeneral fund appropriations from state agencies which represent savings that accrue from reductions in the cost of information technology and communication services, (ii) the transfer of general and nongeneral fund appropriations from state agencies which represent savings from the implementation of information technology enterprise projects, (iii) funds identified pursuant to subsection B of § [2.2-2007](#), (iv) such general and nongeneral fund fees or surcharges as may be assessed to agencies for enterprise technology projects, (v) gifts, grants, or donations from public or private sources, and (vi) such other funds as may be appropriated by the General Assembly. Savings shall be as identified by the CIO through a methodology approved by the Board and the Secretary of Finance. The Auditor of Public Accounts shall certify the amount of any savings identified by the CIO. For public institutions of higher education, however, savings shall consist only of that portion of total savings that represent general funds. The State Comptroller is authorized to transfer cash consistent with appropriation transfers. Appropriated funds from federal sources are exempted from transfer. Except for funds to pay private partners as authorized in subsection B of § [2.2-2007](#), moneys in the Fund shall only be expended as provided by the appropriation act. Interest earned on the Fund shall be credited to the Fund. The Fund shall be permanent and nonreverting. Any unexpended balance in the Fund at the end of the biennium shall not be transferred to the general fund of the state treasury.